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January 19, 2023

VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk/Executive Director
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: *Response to the ORS Report in Docket No. 2022-9-E, Dominion Energy South Carolina, Incorporated's 2022 Integrated Resource Plan Update*

Dear Ms. Boyd:

This letter provides Dominion Energy South Carolina, Inc.'s ("DESC") comments in response to the Review of Dominion Energy South Carolina, Inc.'s 2022 Integrated Resource Plan Update prepared by the South Carolina Office of Regulatory Staff ("ORS") and filed with the Public Service Commission of South Carolina (the "Commission") on December 19, 2022 (the "ORS Report"). DESC appreciates the opportunity to file these comments and thanks the Commission in advance for its consideration of them. DESC also thanks ORS and its consultants for the care with which they have conducted their review of the 2022 Integrated Resource Plan ("IRP") Update.

ORS's Recommendations for Future IRPs

The ORS Report affirms that DESC's 2022 Integrated Resource Plan Update addresses the requirements of S.C. Code Ann. § 58-37-40(D)(1) and offers eleven recommendations, several of which concern DESC's 2023 IRP. In limited cases, and due to the compressed timeframe in between the filing of the ORS Report and the filing of DESC's 2023 IRP, some matters concerning the 2023 IRP may not be included at the level of detail ORS requests.



1) ORS recommends the Company provide both the commodity and delivered price assumptions when reporting its gas forecasts in future IRP reports.

The Henry Hub is the primary index price for measuring or forecasting the *commodity* cost of natural gas. The *delivered* price of natural gas is the commodity price plus transportation costs on upstream pipelines, basis differential reflecting the source of supply, allowance for gas consumed by the pipelines for compression and other purposes (commonly known as shrinkage) and all other costs associated with natural gas supply and transportation contracts.

DESC's natural gas fired plants are served by multiple upstream pipelines under multiple contracts with varying transportation costs, basis differentials, shrinkage and other charges. Because of these variations, when modeling the electric system the delivered cost of gas varies year-to-year and model-run-by-model-run according to which plants the model is dispatching and at what levels that year and what upstream pipelines are providing what proportions of service to those plants.

In presenting natural gas forecasts in the 2022 IRP Update, DESC presented graphics and other data presenting forecasts of Henry Hub prices. But due to the variation in delivered price based on plant dispatch, DESC was not able to present a single forecast of delivered natural gas price comparable to the Henry Hub price forecast, nor will it be able to do so in the 2023 IRP. However, DESC provides, and will continue to provide, subject to confidentiality agreements where required, all the data and workpapers necessary for ORS or other parties to review and audit delivered natural gas prices as reflected in the PLEXOS model outputs.

2) ORS recommends that the high carbon dioxide ("CO₂") forecast be discussed in the Stakeholder Working Group.

In response to ORS's Recommendation No. 2, DESC will schedule additional time in an upcoming Stakeholder Advisory Group Session to discuss its high CO₂ forecast. DESC would point out that in Sessions IX (October 19, 2022) and Session X (December 7, 2022) of the Stakeholder Advisory Group, DESC presented and invited discussion of the key forecasts and modeling assumptions for the 2022 IRP Update and the 2023 IRP which include the high CO₂ forecast.

3) ORS recommends that discussions be held in the Stakeholder Working Group to consider the best modeling approaches for Off-shore Wind ("OSW") resources, including capacity value and integration costs input assumptions.

In response to ORS's Recommendation No. 3, DESC will schedule additional time in Stakeholder Advisory Group Sessions ahead of the 2024 Update to discuss specific aspects of the OSW modeling as indicated. DESC would point out that the capacity value and integration costs



of OSW are modeling inputs about which DESC invited discussion in Session IX and Session X of the Stakeholder Advisory.

- 4) **ORS recommends that the distinction the Company has drawn regarding integration costs between utility owned, Power Purchase Agreement (“PPA”), and Public Utility Regulatory Policy Act (“PURPA”) solar and OSW resources, should be reviewed further in the Stakeholder Working Group.**

DESC would note that in modeling future generation supply options, PLEXOS takes into account the integration costs of solar assets, whether utility owned or provided by third party, when it dispatches the system to ensure reliable operations in the face of intermittency. Nonetheless, in response to ORS’s Recommendation No. 4, DESC will schedule additional time at a future Stakeholder Advisory Group meeting to discuss these matters.

- 5) **ORS recommends the Company incorporate the impacts of the federal Inflation Reduction Act of 2022 (“IRA”) in the 2023 Comprehensive IRP.**

DESC is incorporating the impacts of the IRA in its 2023 IRP and has discussed its approach and method for doing so with the Stakeholder Advisory Group in Session X.

- 6) **ORS recommends DESC provide its 2023 DSM Potential Study, workpapers, and detailed descriptions of its modeling choices in the 2023 Comprehensive IRP.**

DESC will file the 2023 DSM Potential Study in Docket No. 2022-162-E (the “2023 IRP Docket”) and it will include detail descriptions of inputs and assumptions related the DSM measures evaluated as well as the results of those evaluations. DESC will include in the 2023 IRP appropriately detailed descriptions of modeling choices related to DSM matters. DESC will make its workpapers related to 2023 DSM Potential Study available to all parties in the 2023 IRP docket, subject to confidentiality agreements where required. DESC notes that many of the calculations prepared by its third-party DSM consultant, ICF, are made using proprietary data sets and models. These models produce outputs for review, which will be provided, but do not produce work papers.

- 7) **ORS recommends the Company provide PLEXOS to intervenors for their review and evaluation of all future Comprehensive IRPs and IRP Updates.**

In accordance with Commission Order No. 2020-832, DESC has made provision for intervenors to receive appropriate PLEXOS licenses and modeling files for purposes of the 2023 IRP and reserves the right to seek revisions to this requirement as future circumstances may indicate.

- 8) **ORS recommends that when the Company is ready to procure resources, an All-Source RFP process should be used to identify the best projects to**



build/acquire to meet the system's energy and capacity needs. The Company should also leverage market pricing data acquired through the RFP process in expansion planning studies that the Company performs.

For future planning purposes, DESC intends to utilize market pricing data obtained through its on-going Urquhart Replacements All Sources RFP process when those data become available and envisions providing the relevant, non-confidential data to the Commission, ORS and the parties in the 2024 IRP Update Docket. DESC proposes to issue an RFP to further refine cost estimates for replacement resources for the Wateree Station coal units but it is unclear whether the timing associated with retiring and replacing Wateree capacity by December 31, 2028 will support an all source RFP or whether a more limited competitive procurement for specific resources will be a practical necessity. To support retiring and replacing the A.C. Williams Station coal unit, DESC is contemplating a shared resources project with the South Carolina Public Service Authority and has not determined how an RFP might be consistent or helpful in that process.

DESC would note that that in adopting Act No. 62 of 2019, the General Assembly authorized the Commission "upon a showing of need" to require "a bidding process, if any" for procuring new generation resources with other provisions of that act indicating that the terms and conditions of each such procurement would be determined at the time a specific resource procurement is proposed. S.C. Code Ann. § 58-33-110(b). Accordingly, requiring any bidding process after the adoption of Act No. 62 of 2019 requires a particularized showing of need related to the specific resource acquisition and cannot be made in advance before the operative circumstances are known. The clear intent of the statute is that going forward the circumstances and schedules involved in each case must determine the nature of the bidding process if any, including whether an all-source RFP is required.

9) ORS recommends DESC incorporate robust risk analyses in future IRPs and continue to assess portfolios across multiple planning scenarios.

In the 2023 IRP, DESC will assess five core build plans under fifteen core cases using eight separate metrics to identify the risks and opportunities of each. Those metrics include levelized annual costs, CO₂ emissions (cumulative and in 2050), clean energy (cumulative and in 2050), fuel cost resiliency, generation diversity, reliability, mini-max regret, and cost range analysis. DESC believes that this represents a robust risk analysis of a diverse group of build plans across multiple planning cases as ORS recommends.

10) ORS recommends the Company continue to utilize the Stakeholder Working Group to discuss key inputs and best practices in utility planning processes.

The Company intends to continue use the Stakeholder Advisory Group for the purposes listed. The Stakeholder Advisory Group has made valuable contributions to the IRP process in Sessions I-X and DESC intends to continue to use it as appropriate.

11) ORS recommends the Company update the Commission on the transmission impacts and the natural gas pipeline capacity availability associated with unit retirements and new resource decisions. The Company should provide the



results of its 2022 Transmission Impact Analysis (“TIA”), including all workpapers and supporting documentation with the 2023 Comprehensive IRP filing.

DESC expects that the 2022 TIA will be completed during the first quarter of 2023 and DESC intends to file it in the 2023 IRP Docket when it becomes available. Subject to confidentiality agreements where required and critical infrastructure security considerations where applicable, DESC will also provide ORS and intervenors with relevant and appropriate workpapers. DESC notes that the power flow models for its transmission grid are complex engineering programs that model all aspects of its system. They include massive amounts of data and are updated continuously.

As to natural gas pipelines, PLEXOS includes in its modeling natural gas pipeline capacity costs for new generation as part of the fixed O&M costs associated with them. These costs are as provided by upstream natural gas pipelines and DESC has provided them to ORS and other parties in earlier discovery. Assumptions concerning the future availability of capacity from these pipelines is based on general assurances by them that pipeline capacity can be delivered at the price provided and is not contractually guaranteed.

Conclusion

DESC reiterates its thanks to ORS for the quality of its report and to the Commission for providing the opportunity to submit these comments. DESC believes that this letter provides a reasonable response to the issues raised in the ORS Report. However, the failure to address any particular point raised by ORS should not be taken as DESC’s agreement with that point. To the extent that any issue raised by ORS conflicts with the Modified 2020 IRP, the 2021 IRP Update, the 2022 IRP Update, or other commitments made by the Company, or any statute or order, the Company objects accordingly.

Respectfully submitted,

/s/Belton T. Zeigler

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cc: All counsel of record